



The Real Reporter

A COMPENDIUM OF COMMERCIAL PROPERTY AND CAPITAL NEWS

Colliers Embraces Change Full Bore

BY MIKE HOBAN

BOSTON — A decidedly upbeat feeling permeated the Grand Ballroom at the Boston Convention & Exhibition Center Wednesday afternoon, beginning with a rock ‘n’ roll backbeat entertaining 800-plus attendees on hand for the 32nd annual Colliers Meredith & Grew market forecast, an event headlined this year by Boston Properties principal Douglas T. Linde as keynote speaker and a major surprise.

Three screens broadcast Tina Turner, the Beatles, Elton John and the Who—heavyweight singers who changed their names on their way to the Rock N’ Roll Hall of Fame. CMG Chief Executive Officer Thomas J. Hynes Jr. then kicked things off by announcing the firm’s own branding switch to Colliers International, further ramping up the festive atmosphere. Prizes were meted out, there was unending food and drink, and it was



Photo: Derek Szabo

revealed Boston’s Prudential Center had been lit up with the red, blue and gold bands of the Colliers International logo.

For all the flash surrounding the 2011

Colliers event, however, participants later spoken to said it was the substance that wowed them most. “After a few years of continued on page 2

Colliers Retail Group Dishes Up New Restaurant Practice

BOSTON — Nearly lost amid the optimistic forecasts, company name change and other happenings at the 32nd annual Colliers International market forecast on Wednesday was the kickoff of a new division dedicated solely to servicing the needs of restaurateurs. To be run as part of the retail group, the initiative was announced by EVP Theodore J. Chryssicas, who said it is a way to assist a specialized and growing industry.

Retail specialist and Colliers VP Jonathan Martin will head up the new



Ted Chryssicas

effort. “We’ve been doing a lot of restaurant work in the last year, year-and-a-half, especially with local players,” Martin explained. “And we realized there is just a real need for specialization.”

The process requires more than just identifying a space, Martin adds. “There’s licensing and permitting involved, for instance,” he says. “And it’s about finding the right space for the right (restaurant)—it’s a real marriage.”

A busy restaurant also means a happy landlord, and Colliers wants to give new restaurateurs every chance to succeed, Martin continues. So Colliers has brought in Vinny Testa Restaurant chain founder Marty Bloom as a consultant to help “drill down on how restaurants are performing

from a P&L standpoint,” says Martin.

Although there are smaller consultant groups available, Martin maintains the restaurant group is unique for the local CRE brokerage houses. “The differentiator is that we are combining our (restaurant knowhow) with support and experience of Colliers International,” he says.

Colliers unveiled the new group by having Chryssicas invite audience members to reach beneath their seats. Some found envelopes taped to the bottom of their chairs with gift certificates from local establishments, including a \$400 prize from Abe & Louie’s Restaurant. In all, some \$4,000 in prizes were meted out.

—BY MIKE HOBAN

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negative reports, it was great to hear positive outlooks from the Meredith & Grew speakers and Doug Linde, about absorption, rents and vacancy, especially for Cambridge landlords such as myself," offered Fairlane Properties President Michael Grill as he milled about the hall later.

"It's great to come out of these (events) with such a positive feeling," seconded attendee John King, as the industry veteran added that, "2011 looks like it's going to be a different year."



Douglas Linde



Ronald Perry



Joseph Flaherty

Colliers President Ronald Perry established the upbeat tone in his presentation, stating that the market bottomed out in the middle of 2010 and that the fundamentals are beginning to stabilize. Perry told the audience he is "cautiously optimistic" about 2011, predicting "we will turn the corner." The downtown specialist says "financial services will lead the way" once the job market begins to rebound and housing prices stop their downward spiral.

One of the stories of 2010, Perry said, was the wild difference between the Class A high-rise market and the low-rise pricing, ranging from the mid-\$60's to the mid-\$30's in both the Financial District and the Back Bay. The Back Bay has now eclipsed the Financial District as the favored address, he added. Another 1.1 million sf of negative absorption in 2010 left the overall vacancy rate in the Financial District at 19.6 percent, while 500,000 sf of positive absorption pushed the Back Bay down to 8.7 percent, among the tightest rates nationally.

Perry said that Colliers is projecting positive absorption for the next four years

Campoli: Little Distress for Success in CRE

BOSTON — Despite the pent up demand of institutional investors in core markets like Boston, one of the reasons there have not been more sales, according to Colliers International EVP Lisa Campoli, is that the sellers don't want to let them go—just yet.



Lisa Campoli

Campoli, who conducted the always popular investment sales portion of the annual Colliers market forecast on Wednesday, told the crowd at the Boston Convention & Exhibition Center that in 2010, "core investors flush with cash competed fiercely for the same few stable, top-tier assets."

"Boston is a highly favored market," she said. "(But) the same reason institutional investors want to buy in Boston is the reason institutional investors want to hold. They see the upside in our pending economic recovery and understand that the region's inherent constraints on new supply create long-term appreciation potential."

So while the prevailing wisdom is that 2010 was a much better investment sales year in overall volume than

2009, Campoli pointed out that minus the \$930 million John Hancock Tower sale to Boston Properties, the volume regionally was the same (the \$189 million Bay Colony Corporate Center and the \$525 million Landmark Center deals put under agreement last year are pending).

"Emerging from the financial crisis, most institutional investors and major capital providers avoided single investments larger than \$100 million," said Campoli. But the sales of trophy assets accelerated as the year wore on, however, and Campoli expects this trend to continue.

Distressed property sales were also lower than anticipated, but she said that situation is unlikely to change. Campoli reported that Boston has the lowest percentage of loans in special servicing and 60 days delinquent of the top 15 MSAs (metropolitan statistical area) in the country. Her firm did pull off one of the more publicized distressed sales last year when the Colliers investment team helped NewStar Financial trade 75 Sylvan St. in Danvers for \$10.3 million to Brookwood Financial Partners, but many assets were clung to by owners in hopes of an improving climate in the coming months. ■

—BY MIKE HOBAN

(2011-2015) based on rolling leases of some of Boston's largest users, and predicts a 12.4 vacancy rate by 2014, down from 16.6 percent at present, according to Colliers research. "But the pace of the recovery will depend on jobs," said Perry.

In his presentation on Cambridge, Colliers International principal Joseph Flaherty said he is expecting rents to go up and vacancy to go down, with a "12-15 percent increase in rents for biotech from 2010 to 2011 in East Cambridge."

Supply is tightening in the submarket, with only One Rogers St. currently able to accommodate a tenant of more than 100,000 sf. Flaherty said he expects the supply shortage to drive some tenants to

the suburbs. Rents for new shell biotech space are currently at \$58 to \$65 psf, and the "market dynamic should favor landlords," said Flaherty. But he also acceded that the landscape will change should Vertex Pharmaceuticals leave for Boston's Innovation Center, as company officials said this week they are planning. The prospect "represents a huge loss for Cambridge," Flaherty said, "but life will go on and there will still be a relatively high demand." Vertex would leave 660,000 sf in late 2013 should the Boston strategy materialize.

On the development side, Flaherty said Boston Properties is in talks with the
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Broad Institute for a new build to suit, Northpoint is “back in business” with owner Pan Am picking up new partners to develop that master-planned complex, and Alexandria Real Estate Equities is “charging ahead” with projects on 50 and 100 Binney St. Forest City is pursuing a 240,000-sf project and MIT is hoping to energize Kendall Square with transit-oriented development in excess of one million sf.

Reviewing suburban Boston’s office market (see sidebar this page), Colliers EVP James L. Elcock said that while the market absorbed 880,000 sf last year, “it takes a whole lot more to move the vacancy needle.” Of the leases for significant space—Dassault Systemes, BJ’s Wholesale, Parametric Technologies—he explained that those deals shared many common traits: proximity to highways; signage; good landlords; and value. “It wasn’t always a rental rate decision,” he said. Elcock also pointed out that the Greater Boston suburbs vacancy rates “would be the envy of” many other suburban markets in the country. He put today’s market of 3.0 million square feet of negative absorption since the market crashed in 2007 into perspective, reminding the audience that in the aftermath of the 2001-2002 bust, there was 16 million sf of negative absorption. The veteran broker also reminded the audience of the value of predictions, noting that while Tufts-Harvard Pilgrim Health Care merger could have a significant impact on suburban space, the merger “was not on anyone’s radar screen” prior to the past few days.

Accentuating the Colliers expert presentations was Linde’s keynoter, with the Boston Properties chief creating a stir amongst the crowd at the reception afterwards. Linde summed up one of the cornerstones of his firm’s success in the REIT business by stating, “We are a long term owner,” then discussed BP’s philosophy of sticking with core markets only such as Boston, New York, San Francisco, Washington DC and Northern Virginia at length. Linde extended it further into the science of examining submarkets closely

Colliers: Suburban Scene Seeming Sunnier

BOSTON — For the first time since 2007, Colliers International experts delivered an upbeat message to attendees of the firm’s yearly kickoff forecast—and vice versa, relays suburban specialist and EVP James L. Elcock.



James L. Elcock

In dispatching 1,200 invitations to Wednesday’s program at the Boston Convention & Exhibition Center, Colliers polled guests on their own thoughts about the economy and how their businesses are being impacted. Of those responding, 86 percent indicated 2011 would be better than 2010, and 56 percent said their company plans to hire people this year. “I wasn’t surprised,” Elcock tells *The Real Reporter*. “That’s what we see happening, too.”

As head of CI’s suburban Boston group, Elcock has witnessed a braver, more decisive tenant constituency for the first time since the recession took hold three years ago, he says, offering hope that a rebound in the Class A market could yield occupancy gains and measured rent increases for top addresses in the coming months. The core Route 128 Central submarket saw vacancy rates plunge from 20.5 percent to 12.9 percent in 2010, according to Colliers, and the crash deterred new construction from advancing, con-

stricting the pipeline. Also, Dassault Systemes plugged a major hole when leasing 320,000 sf at 175-185 Wyman St. in Waltham.

On demand, Elcock says the defense industry has become “a quiet leader” in producing badly needed jobs and filling space, supporting traditional suburban drivers in the life sciences and technology arenas. Some \$10 billion in defense spending was funneled into Massachusetts during 2009, says Elcock, benefitting companies such as General Dynamics, iRobot and Raytheon. The impact is not as widely recognized because of the secretive nature of the defense sector, Elcock suggests.

A shorter recession than suffered in past busts—and compared to the current national pain—also offers cause for the sunnier outlook, according to Elcock. Even so, he stresses that the recovery will continue to be scattered, with energy dispersed in a “micro-burst” process. “It’s clearly still a tenant’s market, and I will underline that all day long,” Elcock says. Although the suburban plunge appears to have ceased, he anticipates just one in five properties will enjoy near-term benefits. “For the other 80 percent, it is going to be a long, slow, steady fight to regain occupancy and to regain traction in the marketplace,” Elcock says. ■

—BY JOE CLEMENTS

to ensure the greatest probabilities for success. “You’ve got to think really hard about submarket generalizations,” he said. He also discussed the foresight of BP and other developers to attract law firms to the Back Bay where there were none a dozen years prior before Palmer & Dodge and Holland & Knight broke the stalemate. As far as other markets, Linde said San Francisco is still the most volatile of the core markets, but despite negative absorption in 2010, landlords are still fetching \$350 to \$500 per square foot for “good, but not great” properties.”

“Everybody is banking on a strong recovery,” said Linde, adding he expects interest rates to climb. “There has been an increase of 100 basis points in the last 60 days,” he said, while disregarding CMBS defaults in core markets. “There is an abundance of capital in core markets,” said Linde. “So far-reaching distress will not happen. High quality assets in the best markets are going to be re-capitalized.” Many in the crowd said they were impressed with Linde’s dissertation. “He is the gold standard of landlords,” said one broker. ■

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Change Agent

BOSTON — As much as anyone, **Co-Chairman Thomas J. Hynes Jr.** would



Thomas J. Hynes Jr.

have a right to wax nostalgic over this week's seminal shift at the venerable firm where he has been a fixture since 1965, a remarkable one-third of the 135-year-old company's existence.

As relayed Wednesday on **therealreporter.com**, **Colliers Meredith & Grew** changed its handle this week to **Colliers International**, dropping namesakes **J. Morris Meredith** (founder in 1875) and **Edward Wigglesworth Grew** (1891) from the corporate flag that had flown over the region's commercial real estate landscape across three centuries and into the new millennium.

For Hynes, however, the decision is prescient and prudent because it better prepares his operation for the next 990 years or so. "We have to move forward, not back," he tells **The Real Report** in the wake of his firm's 32nd annual real estate market forecast on Wednesday where the switch was unveiled to an audience in excess of 800 people (see related story, page one). Having ended its run as an independent firm in 2006 and incorporating the Colliers name soon after, Hynes notes that the process to convert to the global name had been underway for awhile, with the annual forecast shindig deemed an appropriate venue to make it official.

And as much as it still benefits from the deep local roots of such veteran leaders as **Hynes, Co-Chairman Kevin C. Phelan** and **President Ronald K. Perry**, the firm has aggressively moved to embrace new technologies, fresh talent and cutting-edge approaches to combat the challenges of other CRE powerhouses pushing into the Meredith & Grew turf. Even longtime Boston clients such as one Hynes had been working with this week now have real estate needs in other mar-



Photo: Derek Szabo

kets that must be serviced, he explains. "We look enthusiastically ahead," he says of the rebranded operation that he maintains will benefit from the Colliers International moniker.

'Monster' Mash

BOSTON — Beseeched to do so given the program's widespread popularity and longevity, **Colliers International Co-Chairman Thomas J. Hynes Jr.** did offer a few observations on the annual forecast that was launched in 1979 at 100 Federal St., conceived as a way to turn the **Meredith & Grew** board of directors

meeting into an informational session on market conditions. "In a way, we created a monster," says Hynes. The first event took a few weeks to assemble, whereas nowadays it is practically a year-round enterprise, with more than 1,200 invited this year alone.

One of the more interesting elements emerging over the years has been the appearance of a major keynote speaker, with the figure often rivaling the data delivered by the firm's stable of market experts. While stressing that "grassroots research" is a key component, especially in a volatile time when clients are hungry

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'Monster' Mash

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for guidance, Hynes concurs that the speaker typically creates their own buzz around the program (see list on page 19).

Heavyweight headliners have included **Fidelity Investments Chairman Edward C. Johnson III**, **Terrence Murray**, chairman of the erstwhile **Fleet Financial Group**; and **Lynne E. Browne**, deputy director at the **Federal Reserve Bank of Boston**. Former **Boston Mayor Raymond L. Flynn** and current city chief **Thomas M. Menino**

have been featured on the dais, as has US presidential gadfly **Mitt Romney** and former **Massachusetts Secretary of Transportation Frederick P. Salvucci**, the architect of Boston's Big Dig.

Commercial real estate itself is well-represented on the list, from **Beacon Capital Partners Chairman Alan Leventhal** and the late **Edwin N. Sidman** to **O'Connor Capital Partners** founder **Jeremiah W. O'Connor Jr.**, **Vornado Realty Trust President Michael D. Fascitelli** and industry icon **Samuel Zell**. This year's entry, **Boston Properties President Douglas T.**

Linde, is just the latest to speak from that hometown REIT, with others including founders **Mortimer Zuckerman** and Douglas' father, **Edward H. Linde**, who passed away last year.

Hynes, who counts Author **Tom Wolfe** as his "sentimental favorite," agrees that the roster is striking in its pedigree. Even up against that legacy, including his renowned father, Douglas Linde more than held his own, according to Hynes. "I would say he is clearly one of the brightest minds in the business today, and that really showed in his presentation," relays Hynes. "I thought he was tremendous." ■

Colliers Annual Forecast Keynote Speakers

Edward S. Gordon, President, The Edward S. Gordon Company
Steven N. Montgomery, President, The Office Network, Inc.
Robert J. Hackstaff, President, Frederick Ross Company
Robert F. Bowman, Senior Vice President, Jackson Cross Company
Wayne B. Swearingen, President, The Swearingen Company
Peter A. Brooke, Managing Partner, TA Associates
John F. Cunningham, Executive Vice President, Wang Laboratories, Inc.
Kenneth G. Fisher, President, Prime Computer, Inc.
Owen W. Robbins, Vice President Finance, Teradyne, Inc.
Mortimer B. Zuckerman, Chairman, Boston Properties
Jeremiah W. O'Connor, Jr., Executive Vice President, Corporate Property Investors
John R. White, Chairman, Landauer Associates, Inc.
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Joseph W. O'Connor, President, Copley Real Estate Advisors
Kenneth W. Hubbard, Senior Vice President, Gerald D. Hines Interests
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Steven E. Wheeler, President, Winthrop Financial Company, Inc.
Edward C. Johnson, III, Chairman & President, The Fidelity Group of Mutual Funds
John J. Cullinane, Chairman of the Board, Cullinet Software, Inc.

Stephen D. Coyle, Director, Boston Redevelopment Authority
David L. Birch, President, Cognetics, Inc.
Robert P. Hackstaff, Chairman & President, Frederick Ross Company
William R. Hedman, Executive Vice President, The Edward S. Gordon Company
Gerald W. Blakeley, Jr., Managing Partner, Blakeley-King Investment Company
Walter J. Connolly, Jr., Chairman & CEO, Bank of New England Corporation
Edwin N. Sidman, President, The Beacon Companies
Frederick P. Salvucci, Secretary of Transportation, Commonwealth of Massachusetts
John A. Pike, Partner, Ropes and Gray
James A. Graaskamp, Ph.D., Chairman, Real Estate and Urban Land Economics, University of Wisconsin
Arthur H. Nelson, Chairman, The Nelson Companies
Raymond L. Flynn, Mayor of Boston
Lynne E. Browne, Vice President & Deputy Director, Federal Reserve Bank of Boston
Thomas G. McCarthy, President, J. J. Barnicke, Toronto
Neil G. Blum, President, JMB/Urban Realty Corporation, Chicago
Lawrence K. Fish, Chairman & CEO, New Bank of New England Corporation
Lawrence S. Bacow, Director, M.I.T. Center for Real Estate Development
William L. Boyan, CFO, John Hancock Mutual Life Insurance Company
Paul C. O'Brien, President & CEO, New England Telephone Company
Gerald D. Hines, Chairman, Gerald D. Hines Interests
Peter S. Lynch, Trustee, The Fidelity Group of Mutual Funds

Terrence Murray, Chairman & President, Fleet Financial Group, Inc.
James A. Johnson, Chairman & CEO, Federal National Mortgage Association
Robert A. Bowman, CFO, ITT Corporation
Anthony Downs, Ph.D., Senior Fellow, The Brookings Institute
Tom Wolfe, Author
Samuel Zell, CEO, Equity Group Investments
Russell Schiller, Hillier Parker ONCOR, London
Nicholas Brooke, Brook Hillier ONCOR, Hong Kong
Charles M. Vest, President, Massachusetts Institute of Technology
Ethan Penner, President, The Penner Group
Thomas M. Menino, Mayor of Boston
Blake Eagle, Director, M.I.T. Center for Real Estate Development
Edward H. Linde, President & CEO, Boston Properties, Inc.
Michael D. Fascitelli, President, Vornado Realty Trust
Charles A. Ratner, President & CEO, Forest City Enterprises, Inc.
Edmund F. Kelly, Ph.D., FSA, Chairman, President & CEO, Liberty Mutual Group
Mitt Romney, Governor of the Commonwealth of Massachusetts
Jeremiah W. O'Connor, Jr., Managing Partner, O'Connor Capital Partners
Stephen D. Coyle, CEO, AFL-CIO Housing Investment Trust
Alan M. Leventhal, CEO, Beacon Capital Partners
William M. Daley, Vice Chairman, JPMorgan Chase & Co.
Robert L. Reynolds, President and CEO, Putnam Investments
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